

## Message Text

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PAGE 01 STATE 169778

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 169778

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EG, US, IMF

SUBJECT: ASSISTANCE TO EGYPT: IMF PROGRAM

REF: STATE 168467

1. GUNTER TOLD SOBER JULY 8 THAT DICKIE HAD JUST REPORTED SLIPPAGES BY GOE IN IMPLEMENTING PROGRAM AGREED WITH IMF. IT LOOKED AS THOUGH THE PROGRAM WERE FALLING APART. MUCH OF THE PROPOSED SHIFTING TO THE PARALLEL MARKET HAD NOT TAKEN PLACE. MUCH OR MOST OF THE 94 MILLION SDR TRANSFERRED BY THE IMF HAD APPARENTLY BEEN COMMITTED TO PAY OFF CURRENT INDEBTEDNESS RATHER THAN AS A CUSHION FOR INSTITUTING THE NEW MARKET SYSTEM. DICKIE HAD TOLD GUNTER THAT THERE WAS TALK OF PUTTING OFF THE REFORM PROGRAM UNTIL AFTER EGYPTIAN ELECTIONS.

2. GUNTER SAID IMF WAS NOW CONFRONTED WITH ISSUE AS TO WHETHER IT SHOULD MAKE AN EFFORT TO REVIVE THE REFORM PACKAGE. DICKIE WOULD BE SEEING MINISTER SHAFEI ON JULY  
CONFIDENTIAL

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PAGE 02 STATE 169778

10. AT GUNTER'S REQUEST, HE WOULD TELL SHAFEI THAT GUNTER

WAS PREPARED TO COME OUT ON SHORT ORDER IF IT WOULD BE HELPFUL AND IF GOE WISHED TO MAKE AN EFFORT TO REVIVE THE PROGRAM. GUNTER WAS WILLING TO COME OUT PRIOR TO JULY 17, BUT ANY INITIATIVE REGARDING HIS TALKING TO THE FINANCE

MINISTERS OF THE COUNTRIES ESTABLISHING THE ARAB FUND FOR EGYPT WOULD HAVE TO COME FROM GOE. GUNTER SAW NO POINT IN DOING THAT UNLESS THE GOE WISHED TO MAKE AN EFFORT TO REVIVE THE PROGRAM AGREED UPON WITH THE IMF. BEGIN FYI: GUNTER IS MAKING TENTATIVE TRAVEL PLANS TO PERMIT HIM TO BE IN CAIRO BY JULY 17. END FYI.

3. IF GOE DOES NOT WISH TO REVIVE THE PROGRAM, GUNTER BELIEVES IMF WILL HAVE TO CONSIDER INFORMING PERSONS PREVIOUSLY BRIEFED REGARDING IMF EFFORTS IN EGYPT.

4. IF ON OTHER HAND GOE WISHES TO GO AHEAD, GUNTER ACCEPTS NEED FOR "BRIDGING MONEY" FROM GOVERNMENT DONORS, BANKS, AND IMF (STANDBY). HE UNDERSTOOD SHAFEI HAD MENTIONED FIGURE OF 300 MILLION DOLS IN IMMEDIATELY AVAILABLE FUNDS. GUNTER IS AWARE OF CREDIT BEING PUT TOGETHER BY BANK CONSORTIUM LED BY CHASE BUT THAT WOULD FALL FAR BELOW EGYPTIAN NEEDS.

5. WE TOLD GUNTER OF OUR DEEP CONCERN OVER NEGATIVE REPORTS REACHING HIM AND OUR STRONG HOPE THAT PROGRAM WORKED OUT BY EGYPT WITH IMF COULD AND WOULD BE INSTITUTED AS PREVIOUSLY PLANNED. WE SAID WE WOULD INFORM EMBASSY OF GUNTER'S REPORT TO DEPARTMENT SO THAT YOU WOULD BE AWARE WHEN DICKIE MEETS WITH EMBASSY ON JULY 9.

6. WE BELIEVE YOU SHOULD SEEK SUITABLE EARLY OCCASION TO CONVEY TO GOE OUR CONCERN OVER REPORTS OF DELAY IN INSTITUTING PROGRAM AGREED UPON WITH IMF. OUR OWN COMMITMENT TO SUPPORT EXTENSION OF FINANCIAL HELP FROM VARIOUS OUTSIDE SOURCES WAS INTENDED TO BUILD ON THE FOUNDATION WHICH THE IMF PROGRAM AND IMF ENDORSEMENT HELPED TO CREATE. THE JUNE 17 BRIEFING OF OECD REPS HERE BY THE IMF ON EGYPT'S REFORM PROGRAM WAS GIVEN AS AN IMPETUS FOR THE EXTENSION OF URGENT BALANCE OF PAYMENTS ASSISTANCE TO HELP

CONFIDENTIAL

PAGE 03 STATE 169778

EGYPT AT THIS DIFFICULT TIME. WE BELIEVE THE FORWARD MOTION IS ENDANGERED BY THE GOE'S DELAY IN IMPLEMENTING IMF PROGRAM, ALTHOUGH WE ARE VERY SYMPATHETIC TO THE RELATED ECONOMIC PROBLEMS WHICH EGYPT FACES IN MOVING AHEAD. YOU SHOULD ALSO SAY THAT WE BELIEVE IT WOULD BE USEFUL FOR GOE TO INVITE IMF TO SEND A SENIOR REP TO BE PRESENT AT TIME OF JULY 17 MEETING OF ARAB FUND FOR EGYPT, AND WE UNDERSTAND GUNTER WOULD BE PREPARED TO BE PRESENT

BUT THAT WOULD PROBABLY DEPEND ON GOE'S READINESS TO MOVE  
AHEAD ON IMF PROGRAM.

7. WE WOULD WELCOME YOUR OWN ESTIMATE OF THE SITUATION AND  
RECOMMENDATIONS AS TO HOW WE COULD BE MOST HELPFUL AT THIS  
TIME. KISSINGER

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